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Duke Realty cashes out as Captrust tower sells for \$98M

Feb 1, 2013, 11:03am EST

Updated Feb 1, 2013, 1:19pm EST**Amanda Hoyle**

Staff Writer

Triangle Business Journal

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The joint venture owners of the 17-story Captrust Tower office and retail building at North Hills in Raleigh have sold it to a California real estate investment firm for nearly \$100 million.

KBS Realty Advisors of Newport Beach, Calif., purchased the 300,389-square-foot building from a joint venture partnership between the Indianapolis, Ind.-based real estate investment trust Duke Realty Corp. (NYSE: DRE) and the Raleigh-based real estate development firm Kane Realty Corp.

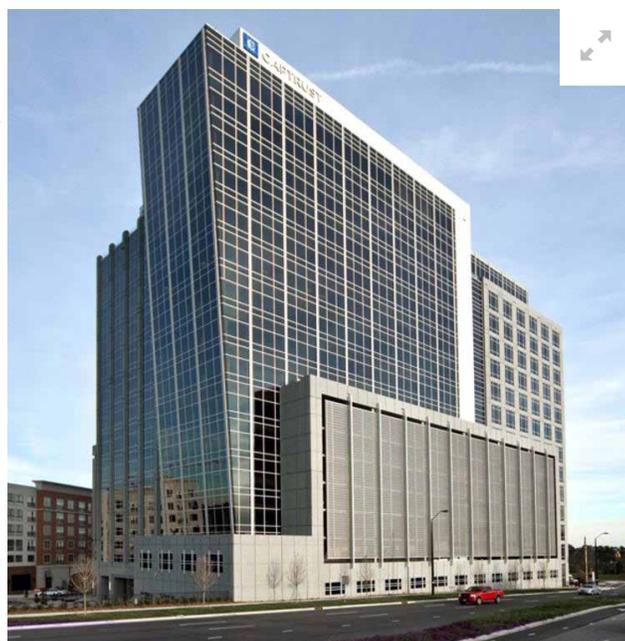
The deal was closed on Jan. 31, according to a news release from the KBS. KBS did not itself disclose the terms of the deal, and no record of the sale had been posted with the Wake County Register of Deeds as of Friday morning.

Kane Realty CEO John Kane said the joint venture had sold it for \$98.4 million, or nearly \$326 per square foot.

The tax value on the 17-story CapTrust Tower building is nearly \$50 million, according to Wake County records

KBS noted in the release that Kane Realty will continue to have an ownership interest in the building through a new joint-venture partnership, 4208 Six Forks Road LLC.

Triangle Business Journal published a report Jan. 25 speculating that KBS was negotiating to



DUKE REALTY CORP.

purchase Captrust Tower after the company filed incorporation papers for 4208 Six Forks Road LLC with the North Carolina Secretary of State.

Captrust Tower is located at 4208 Six Forks Road in Raleigh.

Before the price was disclosed, Raleigh real estate investment broker Ben Kilgore with CBRE said the deal with KBS could be an indicator that the Triangle's commercial property values are rising.

"I really think the sale is an indicator that institutional capital continues to have a great amount of interest in Raleigh and the Triangle," Kilgore said. "KBS already owns a number of pieces of real estate in the market, and I think this is a great sign of where the office market is headed."

Captrust Tower was built in 2009 and is 95 percent leased to 18 tenant companies, including Captrust Financial Advisors, the American Board of Anesthesiology, CBRE, Regus and RBC Capital Markets (NYSE: RY).

"Captrust Tower is the best project in Raleigh and has leased faster and at higher rents than any other office project," KBS CEO Charles Schreiber said. "We've been focused on Raleigh and specifically Captrust Tower due to the quality master-plan and the maturity of the mix of uses already in-place and planned."

The advertised rental rate for office space at Captrust Tower is \$31.95 a foot per year, according to Triangle Business Journal's quarterly Space survey, which is the highest lease rate of any non-medical office building in Wake County.

Kane says his company will take over sole responsibility for all leasing and management at the tower. Kane and Duke Realty had previously shared those duties.

Jeff Sheehan, head of Duke Realty's Raleigh office, says the opportunity to sell to KBS was "great" but bittersweet. "It's been seven years since our conversation started with John and (Kane Realty President) Mike Smith, and they are good partners. The value is obviously attributable to the place as much as it is to the single asset and the tenant base. But it's also good to put a bow on it and call it a successful project."

The building is certified by the U.S. Green Building Council with gold-level LEED certification. It has 275,630 square feet of office space, 26,813-square feet of retail space and a six-level parking deck.

The acquisition of Captrust Tower is the third major property acquisition by KBS in the Triangle in the past 12 years. In 2007, it paid \$48.1 million for the three office buildings in the Crescent Green office park in Cary, and it paid \$28 million for the Colonnade One building in north Raleigh in 2006.

KBS Realty Advisors is a private equity real estate company and SEC-registered investment advisor founded in 1992 by Peter Bren and Chuck Schreiber.

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